UNITED NATIONS

General Assembly

FORTY-NINTH SESSION

Official Records

SECOND COMMITTEE
10th meeting
held on
Tuesday, 18 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 10th MEETING

Chairman: Mr. KHAN (Pakistan)

CONTENTS

AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS

(a) IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES

(b) IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of the publication* to the Chief of the Official Records Editing Section, room DC2-794, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

Distr. GENERAL
A/C.2/49/SR.10
25 October 1994

ORIGINAL: ENGLISH

94-81692 (E)

The meeting was called to order at 10.20 a.m.

AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS (A/49/204-E/1994/90, A/49/205-E/1994/91; A/49/228-S/1994/827; A/49/256; A/49/307-S/1994/958; A/49/381, S/49/462 and Corr.1)

(a) IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES (A/49/83; A/49/287-S/1994/894; A/49/328)

(b) IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE (A/49/328)

1. Mr. OSSA (Director, Macroeconomic and Social Policy Analysis Division, Department for Economic and Social Information and Policy Analysis), introducing the report on the implementation of the Declaration on International Economic Cooperation (A/49/328), expressed the hope that it would be a useful background document for the consideration of an agenda for development. Growth in the developing countries - a major goal of the Declaration and of the Strategy - had accelerated in the 1990s. Since 1993, it had exceeded 5 per cent and was expected to rise to 5 3/4 per cent in 1995. That increase in growth had coincided with a period of economic recession in the developed countries. Since the latter had a key role to play in maintaining a favourable international framework for the sustained development of the developing countries, recent improvement in the short- and medium-term outlook of their economies was encouraging. Despite economic and social set-backs, several economies in transition were experiencing a turnaround and considerable progress had been achieved in integrating those economies into the world economy.

2. The conclusion of the Uruguay Round must be hailed as a major achievement of international cooperation and he urged speedy implementation of the agreement. Trends in commodities prices indicated that export diversification must remain a long-term goal of commodity-dependent countries, particularly in Africa. In that connection, he noted that the understanding of the relationship between macroeconomic policy and trade had improved, as evidenced by the fact that devaluation of the CFA franc, declared in January 1994, appeared to be having the desired effect on exports in some countries. Multilateral financial institutions were also increasing assistance for that purpose.

3. Regional integration was making considerable headway among developing countries and was contributing significantly to growth. In Latin America, regional trading arrangements were becoming more effective, in Asia, intraregional trade was growing rapidly, even in the absence of formal trading arrangement, and Africa was showing renewed interest in regional trading arrangements. After years of outflows, private financial resources were once again flowing to the developing countries in substantial amounts.

4. At the same time, in many areas the goals of the Declaration and the Strategy were far from being attained. In many countries, particularly in Africa, per capita income and living standards either remained unchanged or had grown worse. Official development assistance (ODA) had declined and many countries continued to experience debt-servicing and balance-of-payments difficulties.

5. The outcome of the International Conference on Population and Development represented a major stride in the areas of human resources development and population policies. The Programme of Action emphasized, inter alia, the role of education, particularly of women, in achieving broad-based economic growth and the need for better integration of population policies into international development strategies.

6. International cooperation in environmental protection - a key theme in both the Declaration and the Strategy - had received a tremendous boost from inter alia the United Nations Conference on Environment and Development; the international conventions on climate change and on biological diversity, and, most recently the signing of the United Nations Convention to Combat Desertification; the outcome of the recent Global Conference on the Sustainable Development of Small Island Developing States, and the agreement on the operation and funding of the Global Environment Facility. However, expectations regarding overall funding and enhanced access to clean technologies had not been fulfilled. By some standards, the technological gap between developed and developing countries had even widened, and ecologically sound and sustainable development had been retarded by the decline of ODA. It would be important to seize the new opportunities provided by the world economic recovery to enhance sustainability and ensure more equitable income distribution at the national level, and to enhance development cooperation, including resource transfers, at the international level.

7. Mr. BELHIMEUR (Algeria), speaking on behalf of the Group of 77 and China, said that, four years after the adoption of the Declaration and the Strategy, the developing economies were still grappling with external difficulties - an ever-increasing debt burden, worsening terms of trade, and steadily declining commodities prices. Access to the markets of developed countries had not improved. They were also facing domestic difficulties such as poverty, unemployment and illiteracy. Their marginalization was heightened by an international situation which was less stable and more complex as a result of the trend towards globalization.

8. Under the Declaration and the Strategy, the developed countries had an obligation to create a stable and predictable international economic environment while the developing countries were to modernize their economies through structural reform and to create a domestic environment that was favourable to foreign investment. Instead of coordinating their macroeconomic policies, however, the industrialized countries had sought to resolve their domestic problems in a purely national or restricted multilateral context. The developing countries, on the other hand, had implemented economic reforms, often under difficult conditions and without the support of the international

environment. In a few countries, growth rates had jumped from more than 3 per cent in 1990 to nearly 5 per cent in 1993 but in the vast majority of cases they had not been sufficient to trigger economic take-off. Moreover, even those rates fell far short of the 7 per cent which was considered the minimum needed in order for a real change in the economies of the developing countries. The situation of nearly all African countries and least developed countries was a perfect example of non-development.

9. Greater efforts must be made in order to ensure that the Declaration and the Strategy produced results. More resources should be provided for the development of the South and the problem of external debt must be addressed in all its aspects with a view to the reactivation of growth. The developing countries must also be accorded special and differential treatment in the implementation of the new multilateral trade rules under the Uruguay Round. In that connection, commodities prices must be raised by, inter alia, increasing demand in the developed countries and eliminating speculation and price manipulation on international commodities markets. Similarly, financial and technical assistance was needed in order for developing countries to achieve horizontal and vertical diversification of their exports.

10. In an increasingly interdependent world, the industrialized countries would actually expand their own trade and financial opportunities by supporting the efforts of third world countries. In that connection, an agenda for development would certainly offer fresh impetus to the implementation of the Declaration and the Strategy and help to ensure their continued relevance in a changing world economy.

11. Mr. HENZE (Germany), speaking on behalf of the European Union and Austria, noted that a number of developing countries had contributed greatly to the improved overall economic picture. According to the most recent figures provided by the Department for Economic and Social Information and Policy Analysis, international economic growth, which had stood at 0.2 per cent in 1991, was expected to climb to 2.5 per cent in 1994. The annual growth rate of the developing world was expected to exceed 5 per cent. The Union welcomed the fact that developing countries were pursuing their adjustment efforts and noted that an average growth of around 6 per cent in those countries seemed to be sustainable over a longer period.

12. Despite early signs of recovery and a growing private sector, the economies in transition were by no means fully integrated into the world economy. In many of those countries, particularly in the Commonwealth of Independent States, output was rapidly declining and standards of living were deteriorating. The European Union, a major partner in cooperation with those countries, continued to regard the United Nations as an important forum for addressing the situation of economies in transition.

13. In Western Europe, improved growth prospects and the control of inflation had enabled monetary authorities to reduce interest rates still more. Further consolidation of public finances in all industrialized countries would be necessary in order to reduce the State's absorption of savings and release them

for private investment. In order to tackle the problem of high unemployment - a major political, economic and social problem - the European Union had reached an agreement to maintain its stability-oriented policy, to seek to make further progress on price- and exchange-rate stability, to pursue efforts for the further consolidation of government budgets and to continue to improve the adaptability of national economies to the changing world economy.

14. The Union attached great importance to cooperation with the developing countries and was committed by the Treaty on European Union itself to taking their goals into account in its general policies. It supported free trade as a means of ensuring lasting global growth, employment and decent living standards. In that connection, the prospects for world economic recovery were greatly enhanced by the successful conclusion of the Uruguay Round. Developing countries had increasingly contributed to the growth of world trade and had even surpassed the industrialized countries in that area. Since many developing countries were among the major exporting nations of the world, their contributions to the Uruguay Round was all the more significant. The European Union was committed to swift implementation of the agreements reached in Marrakesh, and to the establishment of the World Trade Organization.

15. The European Union was a major contributor to development cooperation and would continue to contribute in spite of budgetary constraints. While resource flows to developing countries had continued to grow, many countries, particularly the least developed countries, had not been able to attract new financial flows from private sources and were still largely dependent on official development assistance. His delegation welcomed the renewal of the International Monetary Fund's Enhanced Structural Adjustment Facility, through which the poorest developing countries obtained financial resources on concessional terms.

16. The European Union welcomed the completion of negotiations on the restructuring and replenishment of the Global Environment Facility, which would assist the efforts of developing countries to contribute to global environment goals. However, environmental sustainability was not limited to Global Environment Facility projects. All development assistance efforts should take account of environmental concerns, which must be integrated into the policies of both industrial and developing countries in order to promote sustainable development.

17. The highly successful International Conference on Population and Development had emphasized the central importance of an integrated approach to population issues. The international community had moved from its previous emphasis on demography and population control and had begun to focus on sustainable development, consumption and production patterns, individual responsibility and women's rights. Social concerns and the empowerment of women would be key issues at the forthcoming World Summit for Social Development and the Fourth World Conference on Women.

18. The improvement of the human condition had become the focus of all approaches to development. Democracy and human rights were closely linked to

development, especially human resources development. Sound economic policies must therefore be accompanied by positive approaches that promoted respect and encouraged democracy.

19. Ms. YANG Yanyi (China) said that, in order to implement the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade, efforts should be made to strengthen the international community's commitment to international development cooperation, adopt an action-oriented approach that focused on real issues and make use of the capabilities and special role of the United Nations. The continued growth of the world economy and the economic development of developing countries depended on a favourable external economic environment and international cooperation, without which structural adjustment and reform in any country were unlikely to succeed.

20. An agenda for development should adequately reflect the conclusions of the Uruguay Round and the outcome of recent United Nations conferences, such as the United Nations Conference on Environment and Development and the International Conference on Population and Development, and promote the implementation of programmes in such specific fields as the elimination of poverty, human resources development, population and development, environmental protection, science and technology, and trade.

21. With a view to promoting the implementation of the Declaration and the International Development Strategy, the United Nations system should strengthen its macroeconomic policy guidance and coordination, including the policy coordination roles of the Bretton Woods institutions. Developing countries should have a greater voice in policy decisions that were likely to affect them significantly, since their exclusion from effective participation in the decision-making process for world macroeconomic coordination was inconsistent with their increasing role in the world economy. Only a broad-based, democratic, just and effective mechanism for international economic coordination and cooperation would strengthen international development cooperation and contribute to the health of the world economy as a whole.

22. The shortfall in the resources required for the long-term goals set out in the International Development Strategy was already jeopardizing the implementation of the Strategy. Her delegation hoped that, in his next report on an agenda for development, the Secretary-General would concentrate on the priority areas and programmes of the Strategy and address the question of the shortage of resources for United Nations development activities.

23. Mr. YUSUF (Bangladesh) said that, in the four years since the adoption of the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade, the world had experienced major changes in the political and economic fields. Some of those changes were hampering the timely implementation of the objectives and targets of the Strategy. Moreover, efforts to revitalize economic growth and development of the developing countries had fallen far below expectations.

24. The goal of eradicating poverty could not be achieved without sustained economic growth and fair distribution in a favourable external environment. In many cases, macroeconomic stability was pursued without regard for the needs and interests of poor and vulnerable sectors of the population. All over the world, there was a disturbing trend towards higher levels of unemployment, and the working poor and underemployed constituted the largest part of the world's absolute poor. There was therefore a crucial link between productive employment and poverty reduction.

25. His delegation welcomed the successful conclusion of the Uruguay Round of multilateral negotiations. However, many developing countries and primary-commodity exporters were expected to be adversely affected by trade liberalization, at least in the short term. Unless sufficient compensatory arrangements were made and preferential treatment accorded, those countries would not benefit from trade liberalization.

26. Another problem was the continued deterioration of commodity prices. With their weak economies and undeveloped infrastructure, the developing countries faced the task of diversifying their economies and exports. Except in a few regions, progress towards industrialization remained minimal. Foreign direct investment could play a crucial role in the efforts of many countries to privatize their economies and could stimulate the transfer of technology. However, in spite of adjustment measures and economic reforms, only a few developing countries had so far been successful in attracting a substantial amount of foreign direct investment.

27. The growth of ODA had fallen far short of the goals set in the Declaration on International Economic Cooperation and the International Development Strategy, and the hoped-for peace dividend had failed to materialize. Matters had been further complicated by the debt crisis. While a few countries had benefited from piecemeal relief arrangements, the majority of developing countries were still burdened by debt. Without a comprehensive strategy to deal with that problem, the developing countries' hard-earned foreign exchange, which could otherwise have been used in priority sectors of their economies, would continue to be drained.

28. The mid-term review of the Programme of Action for the Least Developed Countries for the 1990s would be held in 1995. The development efforts of the least developed countries were often hampered by factors beyond their control, such as falling commodity prices, increasing indebtedness, decreasing ODA and natural and man-made disasters. Unless the international community took urgent action to alleviate the special problems of the least developed countries, those countries would remain virtually excluded from global development activities.

29. Mr. BIVERO (Venezuela) said that, while the current world economic situation gave rise to a certain degree of optimism, the developing countries continued to face uncertainties about the necessary conditions for their development, namely, the opening of markets to exports from developing countries, the stabilization of commodity prices, long term solutions to the external debt crisis and the continuity of flows of public and private capital.

30. Developments in the field of cooperation for development, while promising, also involved a number of uncertainties. The most recent multilateral agreements, in particular Agenda 21 and other programmes of action in the social and economic fields, would require a significant transfer of resources, and the final agreements of the Uruguay Round would call for a redistribution of the costs and benefits of supporting open economies. In the short term, adjustment and privatization efforts would require assistance in the fields of investment, technology, employment and foreign-currency generation, in order to ensure the success and continuity of structural reforms.

31. There was as yet no clear picture of the effect that sustainable development would have on specific problems of international economic relations. His delegation, nevertheless, welcomed the readiness of the international community to take up that challenge and was pleased that the United Nations had been called upon to play a catalytic role in that effort. The establishment of the Commission on Sustainable Development and the restructuring and replenishment of the Global Environment Facility were indicative of the type of changes that were needed and that were, indeed, possible.

32. An agenda for development should deal with such important issues as the net transfer of resources for development, transfer of technology and access to markets. In spite of the efforts that had been made to solve the problem of external debt, it continued to be the weak link in the strategy to stimulate development.

33. Although some countries had regained access to the credit market, the external debt problem had not yet been resolved. The ability of most developing countries to implement significant social and productive programmes continued to be limited by their external indebtedness. While the market formulas adopted had ensured the ability of the international banking system, they had not necessarily ensured development and growth, which were a necessary counterpart to any strategy on external debt. Rescheduling had provided relief, but was not a solution, for although it had had an impact on private resource flows, it must be remembered that such flows were largely dependent upon investment opportunities opened up by adjustment and privatization, and on the confidence generated by a country's economic policies. That was a sensitive process which required ongoing cooperation among all parties, especially the international financial institutions.

34. Mrs. de LATERZA (Paraguay), speaking on behalf of Argentina, Brazil, Paraguay and Uruguay, pointed out that the final establishment of the Common Market of the Southern Cone (MERCOSUR) would take place during 1994. Its purpose was to broaden the scope of the national markets of its members through regional integration, a basic condition for accelerating economic growth. MERCOSUR provided inter alia for the free movement of goods and services and the elimination of customs duties and non-tariff restrictions. It was based on reciprocal rights and duties of members and called for the coordination of macroeconomic and sectoral policies in order to ensure competitiveness.

35. At their recent meeting, the Presidents of MERCOSUR member countries had established a common external tariff and had made great progress in dismantling the barriers to trade between their countries. By the end of 1994, products of any member country would be able to circulate throughout the region without any tariff. Paraguay had suggested the establishment of a supra-national governing mechanism with a secretary-general and a community tribunal of justice. Such a mechanism would ensure neutrality, technical objectivity, equity and independence, removed from national interests.

36. The key concept behind MERCOSUR was competitiveness, but its members also had an obligation to strengthen their economic and social cohesion through solidarity. Experience had shown that, in order for regional integration to succeed, it was necessary to diminish the economic disparity among the various members. Regional solidarity was of particular importance to Paraguay, a land-locked country.

37. The MERCOSUR countries attached great importance to the implementation of the International Development Strategy, but noted with concern that efforts by developing countries to stimulate economic growth had not resulted in similar initiatives on the part of the developed countries. The successful completion of the Uruguay Round should result in a favourable climate for the promotion of more equitable trade relations between North and South.

38. Mr. DUGAN (United States of America) said that, although his delegation intended to make its substantive statement on the issue of international economic cooperation in the context of the debate on the agenda for development, he wished to offer some observations arising from statements by other members of the Committee. The relationship between the United Nations system and the World Trade Organization, as mentioned in the report of the Secretary-General (A/49/328), must be reviewed carefully. Any "partnership" with that organization should be approached with caution.

39. The communiqué issued at the summit of the seven major industrialized countries (A/49/228, annex I) raised the important question of the institutional changes that might be needed to meet the challenges of the global economy in the twenty-first century. The competence and comparative advantage of the United Nations must be debated and clearly defined. Member States must ask themselves what the United Nations could do better than any other organization to promote sustainable development.

40. He agreed with the representative of China that the organic linkage between the Declaration on International Economic Cooperation, the International Development Strategy and the agenda for development must be promoted, and suggested that in future, the Declaration and the Strategy should be considered under the item concerning the agenda for development.

41. Mr. NAADJIE (Ghana) said that the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade had been adopted in the belief that growth and

development in the global economy would engender a maximum increase in benefits to all countries.

42. Developing countries were to play an active role in revitalizing both their own economies and the global economy. A growth rate of 7 per cent was perceived as a prerequisite for such revitalization. In the industrialized countries, sustained growth was to be achieved through coordination of their macroeconomic policies. In fact, however, little progress had been made towards achieving those goals. The growth of world output in 1994 would be lower than the average growth rate in the 1980s. While some developing countries were recording growth rates of up to 5 per cent, low-income developing countries, especially in Africa, had experienced little or no change in the past 10 years. Moreover, although, in many developed countries the recession was over, unemployment was rising.

43. According to the latest figures issued by the Organisation for Economic Cooperation and Development, global aid flows had fallen by almost 8 per cent in 1993; among traditional donors the cuts had been exceptionally large. Moreover, World Bank lending to sub-Saharan Africa had been disappointingly low in recent years. Indeed there had been a general lack of concrete proposals for Africa in response to the United Nations New Agenda for the Development of Africa in the 1990s. In that context, his delegation believed that the outcome of the negotiations for a proposed facility to promote commodity diversification in Africa would be a test case of donor commitment to that continent.

44. The conclusion of the Uruguay Round of multilateral trade negotiations would have a favourable impact on some developing countries, but others, mainly in Africa, were in danger of being marginalized. Other disappointing items in the balance sheet were the continued dwindling of ODA flows, the failure of developed countries to meet their commitment to allocate 0.75 per cent of gross national product (GNP) to aid, the scale of foreign debt, especially in Africa, sluggish commodity prices and unfavourable terms of trade. While reaffirming their responsibility for their own economic growth, developing countries were seeking remunerative prices for their commodities and more effective measures for debt reduction and servicing or, in some cases, outright cancellation.

45. Although there was a growing consensus on the need for international cooperation to lay the basis for the peaceful and secure coexistence of all mankind, development was not being given the attention it deserved. A new exercise in interdependence was necessary, with the United Nations playing the leading role as a builder of consensus for the political decisions that would guide global development.

46. Mr. SINON (Malaysia) said that the report, while reflecting overall trends in the global economic situation, had failed to provide an adequate critical analysis of the successes and shortfalls of the International Development Strategy. The plight of the developing countries had remained largely unaddressed. The widespread stagnation - and in some cases declining per capita output and income - experienced in those countries had been due to the

stagnation of the global economy and sluggishness in their domestic economies caused by declining commodity prices and the lack of any impetus to growth.

47. The waning of political support for development assistance in donor countries left a serious question mark over the likely fate of commitments under, for example, Agenda 21 and the International Conference on Population and Development. It was sending the wrong political message to the developing countries.

48. The statement in the report to the effect that trade liberalization in the developing countries had proceeded at a much sharper pace than in the industrialized countries in recent years confirmed his feeling that the proposal by the developed countries to include social and environmental clauses in the agenda of the World Trade Organization was the appropriate message. The developed countries should liberalize their own markets before seeking to impose inhibiting conditions on others.

49. His delegation did not agree with the statement in paragraph 37 that the major bloc-building initiative in Asia had been basically a response to the emergence of the North American Free Trade Association (NAFTA) and the European Union. In the case of the Association of South-East Asian Nations (ASEAN), the aim was to optimize the gross potential of the countries in the region by optimizing their complementarity through intensified intra-regional trade. It was an open-style regionalism and not a trading bloc.

50. Transfer of technology called for a more liberal regime. Foreign direct investment and private enterprises were effective conduits for such transfers, providing a framework for the training of local personnel and for national capacity-building and potential for innovation in terms of products and processes that would benefit not only the enterprises concerned but also the global economy. The technological gap between the developed and developing countries had widened, especially in the case of cutting-edge technologies. Renewed emphasis should be placed on that aspect of the International Development Strategy, particularly on the proposal to establish technological centres of excellence in the developing countries.

51. In general, the United Nations would have to mobilize more resources and take innovative action to ensure the success of the Strategy, playing a central role in fostering international development cooperation. At the same time, Member States would have to forge a new framework of partnership built upon creativity, sincerity and equity.

The meeting rose at 12.15 p.m.